

Message Text

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FM AMEMBASSY KUWAIT

TO USDOC WASHDC

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AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY TEHRAN

UNCLAS KUWAIT 0996

E.O. 11652: N/A

TAGS: BMEP, ETRD; KU

SUBJ: KUWAIT GAS TURBINE POWER PROJECT: CURTISS-WRIGHT
IN SERIOUS CONTENTION

REF: (A) KUWAIT 0343 (B) STATE 09708 (C) KUWAIT 0081

(D) KUWAIT 4047

1. EMBOFF RECENTLY IN CONTACT CURTISS-WRIGHT REPS AND THEIR LOCAL AGENT RE SUBJECT PROJECT. CW SUBMITTED BID FOR PROJECT AND NUMBERED APPROXIMATELY FOURTH IN PRICE AMONG QUALIFIED BIDDERS (GE LOWEST, BUT DISQUALIFIED FOR FAILING MEET FULL TECHNICAL REQUIREMENTS GOK TENDER.) WHILE NORMALLY CONTRACT WOULD HAVE BEEN AWARDED COMPANY PRESENTING LOWEST BID WHICH MET ALL LEGAL AND TECHNICAL SPECIFICATIONS, CW NOW FINDS ITSELF ALONG WITH SIEMENS IN STRONG CONTENTION FOR THIS APPROXIMATELY \$40 MILLION CONTRACT.

2. OPPORTUNITY FOR CW AROSE WHEN ENGINEERS FROM MINISTRY ELECTRICITY AND WATER (MEW) AND FRENCH CONSULTANT SOFRELEC WENT OVER BIDS AND DISCOVERED SIGNIFICANT DIVERSITY IN PROPOSALS PRESENTED THEM. THIS ALLEGEDLY OCCURED BECAUSE SPECS WERE TOO LOOSELY DRAWN AND SOME OF LOWER BIDDERS APPARENTLY WERE OFFERING TURBINES GIVING LESS OUTPUT PER UNIT OF COST THAN WERE CW AND OTHERS. THIS HAS NECESSITATED MEW SEPARATELY CALLING IN ALL QUALIFIED BIDDERS IN AN ATTEMPT

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TO RECONCILE THESE DIFFERENCES AND MAKE IT EASIER FOR INDIVIDUAL

BIDS BE COMPARED.

3. CW HAS HAD THREE MEN IN TOWN FOR APPROXIMATELY A WEEK
MODIFYING AND GOING OVER THEIR PROPOSAL WITH MEW OFFICIALS.
PRIOR TO LEAVING KUWAIT ONE CW REP TOLD EMBOFF HE WAS VERY
OPTIMISTIC ABOUT THEIR OVERALL CHANCES OF WINNING CONTRACT.
NOW APPEARS OPTIMISM JUSTIFIED AS LOCAL AGENT INFORMED EMBASSY
YESTERDAY THAT CW REP, MR. GREENE, WHO BASED IN NEW YORK
WAS REQUESTED RETURN TO KUWAIT LESS THAN 48 HOURS AFTER HIS
DEPARTURE FROM HERE. AGENT CLAIMS MEW WANTS THEM BACK IN ORDER
GET FINAL CLARIFICATIONS ON THEIR OFFER. ONLY OTHER COMPANY
INVITED TO RETURN WAS SIEMENS. SINCE FISCAL YEAR WILL END
MIDNIGHT, MARCH 31, AND FAILURE TO SIGN CONTRACTS BEFORE THAT
DATE LIKELY TO CAUSE MEW FURTHER COMPLICATIONS WITH FUND-
ING OF PROJECT, WE EXPECT MATTER TO BE RESOLVED VERY QUICKLY.

4. EMBASSY NOTIFIED GE'S TEHRAN REP BLUNDIN IN SEPTEL THAT
IT UNLIKELY GE WILL BE INVITED BACK TO NEGOTIATE CONTRACT.
THIS BECAUSE KUWAIT'S LAWS ALLOW DISQUALIFIED FIRM GET CONTRACT
AWARD ONLY IF TENDER ENTIRELY THROWN OUT AND SEPARATE
NEGOTIATIONS WITH NUMBER OF FIRMS ENTERED INTO. IN THIS CASE,
MEW NOT ACTUALLY CANCELLING TENDER, BUT RATHER SEEKING "CLARI-
FICATIONS" ON ORIGINAL OFFERS.

6. COMMENT: INTERESTING TO NOTE THAT CW GOT INVOLVED IN
PROJECT
THRU PERSISTENCE OF LOCAL KUWAITI COMPANY WITH
WHOM THEY HAD NEVER BEFORE DEALT. INSPITE OF EMBASSY'S
EARLY WARNINGS ON PROJECT, CW REP CLAIMED COMPANY NEVER
HEARD OF PROJECT UNTIL DIRECTLY CONTACTED BY KUWAITIS
(WHO GOT INFO ON CW FROM EMBASSY). THIS SUGGESTS THAT EVEN,
AS IN THIS CASE, WHEN COMMERCE INFORMS LARGE US COMPANIES
OF PROJECTS, DOES NOT NECESSARILY FOLLOW THAT ALL KEY PEOPLE
IN COMPANIES GET WORD OF TRADE OPPORTUNITIES IN TIMELY
FASHION.

7. INTERESTING TO NOTE, LOCAL KUWAITI BUSINESSMAN TOLD EMBOFF
MARCH 12 GOK BEGINNING PLAN YET ANOTHER LARGE POWER
PROJECT. HE ESTIMATED NEW PROJECT WOULD COST APPROXIMATELY
KD 30 MILLION (KD1 - \$3.38). WHILE WE UNABLE COMMENT, WE
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SHALL ATTEMPT GAIN ADDITIONAL INFO ASAP.
MCCLELLAND

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